

# **SEED OUT**

**Financial Statements**

**For the year ended June 30, 2017**



# HASSAN FAROOQ & COMPANY

## Chartered Accountants

### AUDITORS' REPORT TO THE TRUSTEES

#### Opinion

We have audited the financial statements of SEED OUT (the trust), which comprise the balance sheet as at **June 30, 2017**, and the related income and expenditures account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of SEED OUT (the trust) as at **June 30, 2017** and of its financial performance for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan

#### Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the trustees determine, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


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As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

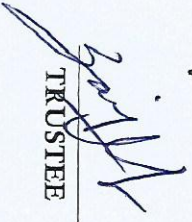
  
**HASSAN FAROOQ AND COMPANY**  
(Chartered Accountants)

**ENGAGEMENT PARTNER:** Farooq Hamid  
**Lahore: September 11, 2017**

**SEED OUT  
BALANCE SHEET  
AS AT JUNE 30, 2017**

	NOTE		NOTE	
	June 30, 2017 Rupees	June 30, 2016 Rupees	June 30, 2017 Rupees	June 30, 2016 Rupees
<b>FUND AND LIABILITIES</b>				
<b>ACCUMULATED FUND</b>				
Accumulated fund	293,783	47,585	541,993	325,790
Surplus of income over expenditure	258,718	246,198	1,424,715	69,429
	552,501	293,783	1,966,708	395,219
<b>NON CURRENT LIABILITIES</b>				
Endowment fund	5	22,527,155	8,455,538	
<b>CURRENT LIABILITIES</b>				
Accrued and other liabilities	6	2,452,344	2,065,657	20,907,764
Provision for taxation	15	120,723	107,576	2,778,251
		2,573,067	2,173,233	23,686,015
<b>CONTINGENCIES AND COMMITMENTS</b>	7	-	-	10,527,335
<b>TOTAL FUND AND LIABILITIES</b>		25,652,723	10,922,554	25,652,723
				10,922,554
<b>TOTAL ASSETS</b>				25,652,723

The annexed notes 1 to 17 form an integral part of these financial statements.

  
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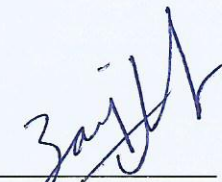
  
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**SEED OUT  
INCOME & EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2017**

	NOTE	June 30, 2017 Rupees	June 30, 2016 Rupees
Income	12	6,378,776	6,794,105
Expenditures	13	(5,996,191)	(6,434,617)
Financial charges	14	(3,144)	(5,714)
		(5,999,335)	(6,440,331)
Surplus before taxation		379,441	353,774
Provision for taxation	15	(120,723)	(107,576)
Surplus of income over expenditure		258,718	246,198

The annexed notes 1 to 17 form an integral part of these financial statements.

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**SEED OUT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017 Rupees	June 30, 2016 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Surplus of income over expenditure before tax	379,441	353,774
<b>Adjustments for non-cash charges and other items</b>		
Depreciation	147,137	60,777
Amortization	34,714	34,714
Financial charges	3,144	5,714
	<u>184,995</u>	<u>101,205</u>
<b>EXCESS OF INCOME OVER EXPENDITURE BEFORE CASH FLOW FROM WORKING CAPITAL</b>	<u>564,436</u>	<u>454,979</u>
<b>(Increase) in current assets</b>		
Advances and prepayments	(12,294,150)	(5,234,250)
<b>Increase in current liabilities</b>		
Accrued and other liabilities	386,687	1,697,277
<b>NET CASH (USED IN) WORKING CAPITAL CHANGES</b>	<u>(11,907,463)</u>	<u>(3,536,973)</u>
<b>NET CASH (USED IN) OPERATIONS</b>	<u>(11,343,027)</u>	<u>(3,081,994)</u>
Tax paid	(96,523)	(42,603)
Financial charges paid	(3,144)	(5,714)
	<u>(99,667)</u>	<u>(48,317)</u>
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>(11,442,694)</u>	<u>(3,130,311)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on operating fixed assets	(363,340)	(270,975)
Intangible assets	(1,390,000)	-
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(1,753,340)</u>	<u>(270,975)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Endowment fund	14,071,617	4,324,249
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<u>14,071,617</u>	<u>4,324,249</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>875,583</u>	<u>922,963</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	1,902,668	979,705
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>2,778,251</u>	<u>1,902,668</u>

The annexed notes 1 to 17 form an integral part of these financial statements.



  
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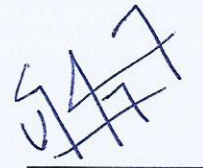
**SEED OUT**  
**STATEMENT OF CHANGES IN ACCUMULATED FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Trust Fund	Excess / (Short) of Income over Expenditure	Total
	-----Rupees-----		
Balance as on June 30, 2015	47,585	-	47,585
Excess of Income over Expenditure	-	246,198	246,198
Transfer to Trust Fund	246,198	(246,198)	-
<b>Balance as on June 30, 2016</b>	<b>293,783</b>	<b>-</b>	<b>293,783</b>
Excess of Income over Expenditure	-	258,718	258,718
Transfer to Trust Fund	258,718	(258,718)	-
<b>Balance as on June 30, 2017</b>	<b>552,501</b>	<b>-</b>	<b>552,501</b>

The annexed notes 1 to 17 form an integral part of these financial statements.

44

  
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**SEED OUT**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**1 GENERAL INFORMATION**

1.1 "SEED OUT" was registered on May 28, 2012 under the Societies Registration Act 1860. The aims and objects for which the organization was established is to provide "Sustainable solutions to empower people to start or expand their own business and general public welfare" in Pakistan. Registered office is situated at 329-P Block, Steet 183, DHA, Lahore.

1.2 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation

**2 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan.

**3 BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention of accounting.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 PROPERTY, PLANT AND EQUIPMENT**

**Owned**

Assets are stated at cost less accumulated depreciation except freehold land. Freehold land is stated at cost.

Depreciation is charged to income and expenditure account on reducing balance method. The rate of depreciation charged during the year is given in the operating assets Note.8. Deprecation on additions to fixed assets is charged from the month in which fixed assets is available for use while no depreciation is charged in the month of disposal.

Maintenance and normal repair are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of fixed assets is recognized in current period's income.

The carrying amount of the trust's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exist the assets' recoverable amount is estimated and impairment losses are immediately recognized in the income and expenditure account.

**4.2 TAXATION**

Provision for current tax is based on taxable surplus for the year determined in accordance with the prevailing law for the taxation of income after taking into account available tax credits, rebates and exemptions (if any).

**4.3 TRADE AND OTHER PAYABLES**

Liabilities for payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the trust.

**4.4 CASH AND CASH EQUIVALENT**

Cash in hand and bank are carried at fair value. For the purpose of cash flow statement, cash and cash equivalent consist of cash in hand and at bank.

44



## 4.5 REVENUE RECOGNITION

### 4.5.1 Grant/ Donations related to income

Donations related to income are recognized on a systematic basis income over the period necessary to match them with related expenses incurred in accordance with terms of the respective project agreements.

### 4.5.2 Grant/ Donations related to assets

Donations related to assets are recognized as deferred income under the head capital grant. An amount equivalent to the depreciation for each year on such assets is credited to income and expenditure account in the same year in which depreciation is charged. Amount equivalent to book value of the assets relating to grant is also transferred to income and expenditure account in the same year in which asset is disposed off.

	NOTE	June 30, 2017 Rupees	June 30, 2016 Rupees
<b>5 ENDOWMENT FUND</b>			
Opening balance		8,455,538	4,131,289
Received during the year - in cash		18,370,567	6,369,849
		<u>26,826,105</u>	<u>10,501,138</u>
Funds utilized during the year		<u>(4,298,950)</u>	<u>(2,045,600)</u>
Closing balance		<u>22,527,155</u>	<u>8,455,538</u>

5.1 This is a Revolving Fund which is hundred percent revolved for creating new micro entrepreneur.

## 6 ACCRUED AND OTHER LIABILITIES

Accrued expenses		173,313	22,508
Other payable	6.1	2,257,618	2,030,446
Withholding tax payable		21,413	12,703
		<u>2,452,344</u>	<u>2,065,657</u>

6.1 It include an amount of Rupees 1,969,526 /- (2016: Rupees: 1,676,626/-) payable to associated undertaking.

## 7 CONTINGENCIES AND COMMITMENTS

### Contingencies

There are no material contingencies as at June 30, 2017 (2016: Nil).

### Commitments

There are no material commitments as at June 30, 2017 (2016: Nil).

104

8. OPERATING ASSETS

	NOTE	June 30, 2017 Rupees	June 30, 2016 Rupees
Operating assets	8.1	541,993	325,790

8.1 Reconciliation of carrying amounts at the beginning and end of the year is as follows:

Operating assets

	Furniture and Fixture	Electric Equipments	Computer Equipments	Vehicle	Grand Total
-----RUPEES-----					

At June 30, 2015

Cost	82,894	6,638	42,554	-	132,086
Accumulated depreciation	(6,217)	(702)	(9,575)	-	(16,494)
Written down value	<u>76,677</u>	<u>5,936</u>	<u>32,979</u>	-	<u>115,592</u>

Reconciliation of written down value  
at June 30, 2016

Written down value as at July 01, 2015	76,677	5,936	32,979	-	115,592
Additions	13,850	22,600	192,025	42,500	270,975
Depreciation	(8,361)	(3,247)	(44,920)	(4,250)	(60,777)
Written down value as at June 30, 2016	<u>82,166</u>	<u>25,289</u>	<u>180,084</u>	<u>38,250</u>	<u>325,790</u>

At June 30, 2016

Cost	96,744	29,238	234,579	42,500	403,061
Accumulated depreciation	(14,578)	(3,949)	(54,495)	(4,250)	(77,271)
Written down value	<u>82,166</u>	<u>25,289</u>	<u>180,084</u>	<u>38,250</u>	<u>325,790</u>

Reconciliation of written down value  
at June 30, 2017

Written down value as at July 01, 2016	82,166	25,289	180,084	38,250	325,789
Additions	8,000	114,900	198,440	42,000	363,340
Depreciation	(8,818)	(24,234)	(98,035)	(16,050)	(147,137)
Written down value as at June 30, 2017	<u>81,349</u>	<u>115,955</u>	<u>280,489</u>	<u>64,200</u>	<u>541,993</u>

At June 30, 2017

Cost	104,744	144,138	433,019	84,500	766,401
Accumulated depreciation	(23,395)	(28,183)	(152,530)	(20,300)	(224,408)
Written down value	<u>81,349</u>	<u>115,955</u>	<u>280,489</u>	<u>64,200</u>	<u>541,993</u>
Depreciation Rate (%)	10%	20%	30%	20%	

June 30, 2017 Rupees	June 30, 2016 Rupees
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8.1.1 Depreciation for the period  
has been allocated as under :

Expenditures	<u>147,137</u>	<u>60,777</u>
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	NOTE	June 30, 2017 Rupees	June 30, 2016 Rupees
<b>9 INTANGIBLE ASSETS</b>			
Software	9.1	34,715	69,429
Intangible assets under development	9.2	1,390,000	-
		<u>1,424,715</u>	<u>69,429</u>
<b>9.1 Software</b>			
Cost		115,714	115,714
Accumulated amortization		(80,999)	(46,285)
Written down value		<u>34,715</u>	<u>69,429</u>
<b>Reconciliation of written down value</b>			
Opening		69,429	104,143
Additions		-	-
Amortization		(34,714)	(34,714)
Written down value		<u>34,715</u>	<u>69,429</u>
9.1.1	Amortisation is charged using straight line method at the rate ranging from 30% (2016: 30%) per annum.		
	NOTE	June 30, 2017 Rupees	June 30, 2016 Rupees
<b>9.2 Intangible assets under development</b>			
Opening balance		-	-
Additions during the year		1,390,000	-
		<u>1,390,000</u>	<u>-</u>
Transferred to operating assets		-	-
Closing balance		<u>1,390,000</u>	<u>-</u>
<b>10 ADVANCES AND OTHER RECEIVABLES</b>			
Advance			
Income tax		106,550	117,603
To employees		57,500	-
For assets		985,000	-
Receivable from borrowers		19,758,714	8,507,064
		<u>20,907,764</u>	<u>8,624,667</u>
<b>10.1 Receivable From Borrowers</b>			
Opening balance		8,507,064	3,272,814
Loan granted during the year		15,550,600	7,279,850
		<u>24,057,664</u>	<u>10,552,664</u>
Received from borrower during the year		(4,298,950)	(2,045,600)
Closing balance		<u>19,758,714</u>	<u>8,507,064</u>
<b>11 CASH AND BANK BALANCES</b>			
Cash in hand		9,845	39,795
Cash at bank			
-in current account		2,768,406	1,862,873
		<u>2,778,251</u>	<u>1,902,668</u>
<b>12 INCOME</b>			
Donations Fund		-	4,665,980
General Funds		6,378,776	2,128,125
		<u>6,378,776</u>	<u>6,794,105</u>

	NOTE	June 30, 2017 Rupees	June 30, 2016 Rupees
<b>13 EXPENDITURES</b>			
Staff salaries and benefits		3,161,930	3,008,962
Entertainment expenses		1,093,364	672,069
Printing & stationery		239,261	131,265
Legal and professional charges		146,770	101,010
Travelling & conveyance expenses		268,422	467,577
Utility expenses		41,431	113,508
Repair & maintenance expenses		102,612	140,229
Advertisement expenses		130,200	661,976
Fee and subscriptions		41,230	119,280
Communication expenses		300,605	82,990
Rent expenses		14,300	136,500
Depreciation	8.1.1	147,137	60,777
Amortization	9.1	34,714	34,714
Miscellaneous expenses		274,215	703,760
		<u>5,996,191</u>	<u>6,434,617</u>

**14 FINANCIAL CHARGES**

Bank charges		<u>3,144</u>	<u>5,714</u>
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**15 PROVISION FOR TAXATION**

Current year		<u>120,723</u>	<u>107,576</u>
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**16 GENERAL**

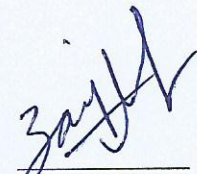
16.1 Prior year figures have been re-arranged wherever considered necessary for the purpose of better presentation.

16.2 Figures have been rounded off to the nearest rupee.

**17 AUTHORIZATION FOR ISSUANCE**

These accounts are authorized for issuance by the Board of Trustees on \_\_\_\_\_.

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